



**U.S. Department of the Interior
Office of Inspector General**

AUDIT REPORT

**CENTRAL VALLEY PROJECT
RESTORATION FUND,
BUREAU OF RECLAMATION**

**REPORT NO. 98-I-383
MARCH 1998**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

MAR 31 1998

AUDIT REPORT

Memorandum

To: Commissioner, Bureau of Reclamation

From: Robert J. Williams *Robert J. Williams*
Acting Inspector General

Subject: Final Audit Report on the Central Valley Project Restoration Fund,
Bureau of Reclamation (No. 98-I-383)

INTRODUCTION

This report presents the results of our review of the Bureau of Reclamation's Central Valley Project Restoration Fund. The Fund was established by the Central Valley Project Improvement Act, Title 34 of the Reclamation Projects Authorization and Adjustment Act (Public Law 102-575), enacted on October 30, 1992. The objective of the audit was to determine whether the Bureau complied with requirements of the Central Valley Project Improvement Act as they related to Restoration Fund assessments, collections, and expenditures.

BACKGROUND

The Central Valley Project, authorized in 1935 and located in the Central Valley of California, is an integrated network that includes 16 storage dams and reservoirs, 3 diversion dams, over 600 miles of canals and aqueducts, 2 pump-generating plants, 7 hydroelectric power plants, and 3 fish hatcheries. It is the Bureau's largest multipurpose water project and has been operated primarily to provide flood control, water for irrigation and municipal and industrial use, and power generation. The Project provides water, through over 250 water service contracts with water districts and authorities, for irrigation of about 3 million acres of farmland and for more than 2 million urban residents and Federal, state, and private wildlife refuges.

The Central Valley Project Improvement Act significantly expanded the Secretary of the Interior's authority to restore fish and wildlife and their habitats in the rivers and streams impacted by the Project. Specifically, the Act required the Secretary to develop and implement activities to protect, restore, and enhance fish and wildlife and their associated

habitats in the Central Valley and in the Trinity River Basin.¹ The Act identified over 40 specific restoration activities, which included (1) nonstructural actions such as acquiring water and land and improving habitat conditions in streams and tributaries and (2) structural actions such as constructing a temperature control device at Shasta Dam and fish passage facilities at Red Bluff Diversion Dam. Specific cost-sharing requirements by the State of California were included in 15 of the more than 40 specific restoration activities.

As specified in the Act, these restoration activities are funded by direct Federal appropriations, cost sharing from California, and the Restoration Fund. The Restoration Fund obtains revenues from annual charges of up to \$50 million (October 1992 price levels) from Project water and power users. However, as required by Section 3404 of the Act, full annual charges cannot be collected from the water users until an environmental impact statement is completed on the Project.² Until that time, water user charges are primarily limited to restoration payments and to surcharges on water delivered through the Project's Friant Division, as stipulated in Sections 3406(c)(1), 3407(c), and 3407(d) of the Act. Restoration payments and surcharges are assessed based on the acre-feet of water delivered.

The Bureau's Mid-Pacific Region, in Sacramento, California, is responsible for accounting for Restoration Fund revenues and expenditures. To account for these revenues and expenditures, the Region used the Governmentwide Federal Financial System, which accounts for financial statement and budget-related data Bureauwide; the Region's Water Payment, Delivery and Revenue Accounting System (referred to as the 705 Works System), which serves essentially as the customer billing and accounts receivable system for the Central Valley Project; and spreadsheet systems maintained by the Regional Office and area offices.

Since inception of the Restoration Fund on October 30, 1992, to June 30, 1997, the Bureau collected about \$129 million from water and power users. Restoration Fund collections totaled about \$33.6 million for fiscal year 1995, \$46.8 million for fiscal year 1996, and \$18.7 million for fiscal year 1997 (through June 30, 1997). Since passage of the Act on October 30, 1992, through June 30, 1997, expenditures for restoration activities totaled about \$175 million, of which \$87 million was provided by the Restoration Fund and \$88 million by direct Federal appropriations. Restoration Fund expenditures totaled \$24.5 million for fiscal year 1995, \$30 million for fiscal year 1996, and \$23 million for fiscal year 1997 (through June 30, 1997).

¹The Trinity River Basin was included because part of the Central Valley Project's water is released to the Trinity River for purposes of fishery restoration, propagation, and maintenance.

²Section 3409 of the Act requires that the Secretary, not later than 3 years after enactment or by October 30, 1995, "prepare and complete a programmatic environmental impact statement pursuant to the National Environmental Policy Act," which analyzes the direct and indirect impacts and benefits of implementing the Act, including the potential renewal of all existing Project water contracts. Because of the magnitude and complexity of the work, the programmatic statement has not been completed. The draft programmatic statement was released in November 1997 for public review and comment. The estimated completion date of the final programmatic statement is April 1998. Full annual charges under the Act are derived from collections of water contracts' prerenewal charges (Section 3404(c)(3)), tiered water rates (Section 3405(d)), transferred water rates (Section 3405(a)(1)(B)), Friant Division surcharges (Section 3406(c)(1)), municipal and industrial surcharges (Section 3407(d)(2)(A)), and restoration payments by water and power beneficiaries (Sections 3407(c) and (d)).

In accordance with Section 3406(h) of the Act, the Bureau of Reclamation and the U.S. Fish and Wildlife Service, in June 1994, entered into a cost-sharing agreement with the State of California in which California is required to pay up to \$50 million toward restoration activities contingent on available State funding and legislative authority. The agreement requires that individual task orders be executed for each restoration activity. Since June 1994, the State of California has signed one cost-sharing task order agreement to contribute \$1.5 million for the restoration-related Georgiana Slough Control Barrier activity.

On November 5, 1996, California voters passed Proposition 204, also known as the Safe, Clean, Reliable Water Supply Act, which funds numerous environmental activities within the State, including restoration of the Bay-Delta (San Francisco Bay/Sacramento - San Joaquin Delta in California), levee rehabilitation, and assistance to California in meeting most of its cost-sharing commitment under the Act. The proposition provides for issuing bonds totaling \$995 million. Under this proposition, \$93 million of the \$995 million of bond sales was to be used to meet California's cost-sharing requirements under Section 3406 of the Central Valley Project Improvement Act. Since passage of the proposition, California has sold bonds totaling about \$64.4 million to assist California in meeting a portion of its cost-sharing requirements under the Act. Regional officials told us that since June 1997, the Bureau's Mid-Pacific Region and the Service have been negotiating with California to finalize four task orders totaling about \$30 million to fund restoration activities under the Act. Regional officials also stated that for fiscal year 1998, the Mid-Pacific Region and the Service also plan to negotiate additional task orders with California totaling about \$30.4 million to fund additional restoration activities under the Act.

SCOPE OF AUDIT

We conducted our audit at the Bureau's Mid-Pacific Regional Office and at selected area offices within the Region (see Appendix 1). To accomplish our objective, we reviewed and analyzed documents, financial records, and activities of the Restoration Fund that occurred from October 30, 1992, through June 30, 1996. We also performed tests of Restoration Fund assessments, collections, and expenditures for fiscal years 1995 and 1996 (through June 30, 1996). These tests included verifying the accuracy of assessments and collections based on the delivery of Project water for fiscal year 1995; confirming the validity of accounts receivable balances of non-Federal contractors as of March 31, 1996; and reviewing the propriety of selected expenditures. We also interviewed Bureau and Service program and administrative personnel and an assistant regional solicitor from the Office of the Solicitor's Pacific Southwest Regional Office, in Sacramento, concerning programmatic and legislative requirements of the Act. In addition, in July 1997, we discussed our preliminary findings with officials and updated the Fund's revenue and expenditures to reflect balances as of June 30, 1997.

Our audit was made in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. As part of our audit, we reviewed the Department of the Interior's Annual Statement and Report for fiscal year 1995, which is required by the Federal Managers' Financial Integrity Act, and the Departmental Report on Accountability for fiscal year 1996, which contains information

required by the Act, and determined that none of the Department's reported weaknesses were related to the objective of this audit. We also evaluated the Mid-Pacific Region's system of internal controls related to Restoration Fund assessments, collections, and expenditures to the extent we considered necessary. The internal control weaknesses identified are discussed in the Results of Audit section of this report. Our recommendations, if implemented, should improve the internal controls.

PRIOR AUDIT COVERAGE

Neither the Office of Inspector General nor the General Accounting Office has issued any reports on the Restoration Fund. However, in July 1995, the Office of Inspector General issued the advisory letter "Anadromous Fish Restoration Activities, Central Valley Project" (No. 95-AL-5), which related to restoration activities. The letter concluded that restoration funds were spent for approved purposes but noted that (1) the Mid-Pacific Region had not developed formalized cost allocation and repayment procedures for reimbursable restoration costs, (2) the State of California had not developed a revenue-collection mechanism to meet its cost-sharing commitment under the Central Valley Project Improvement Act, and (3) the Mid-Pacific Region had not developed procedures for applying reimbursement "credits." During our current audit, we found that the Mid-Pacific Region was taking actions to address the concerns noted.

RESULTS OF AUDIT

Overall, we found that the Bureau of Reclamation was in compliance with the requirements of the Central Valley Project Improvement Act as they pertained to Restoration Fund assessments, collections, and expenditures. In that regard, the Bureau had issued interim guidelines for assessing, collecting, and crediting payments from Central Valley Project water and power contractors and had involved stakeholder work groups in establishing priorities for uses of the Restoration Fund. In addition, in August 1996, Regional Office officials established a Restoration Fund Team to centralize financial activities associated with the Central Valley Project Improvement Act and to function as a focal point for the Region's internal and external customers by providing assessment, collection, and expenditure data as the data pertained to the financial management of the Act and the Restoration Fund. However, we concluded that the Regional Office could improve its accounting for Restoration Fund activities by integrating the automated systems used to account for assessments and payments for water deliveries. The Regional Office also had not annually accounted for the costs incurred under the agreement with the State of California to identify the State's share of costs of restoration activities or negotiated additional task orders for repayment of California's share of ongoing restoration activities (which we estimated to be over \$31.6 million). In addition, we found that the Bureau had not submitted to the Congress the following: (1) the program report for fiscal year 1995 and the program and financial reports for fiscal year 1996, as required by the Act, and (2) the special reports for fiscal year 1996.

Accounting Systems

The Mid-Pacific Regional Office used three independent systems to account for water deliveries, assessments, and payments. The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (Title 2) and the Treasury Accounting Manual require that accounting data be timely to be meaningful in managing Federal programs. Office of Management and Budget Circular A-127, "Financial Management Systems," also requires that financial management systems process and record financial transactions effectively and efficiently, including providing complete, timely, and reliable information to Federal decision makers and the public. In addition, Executive Order No. 13011, dated July 17, 1996, which addresses Federal information technology, provides Federal agencies with the "clear authority and responsibility to make measurable improvements in mission performance and service delivery to the public" through implementation of integrated information systems. Instead of an integrated system, the Region tracked water deliveries through the Works System; recorded payment information in the Federal Financial System; and recorded combined information on water deliveries, assessments, and payments in a spreadsheet-based system maintained by the Regional Office. The maintenance of three separate systems resulted in the inefficient use of Regional Office resources (personnel and funds) and delayed the posting of payments in the system. In turn, the delayed posting of payments caused the receivables account identified in the Federal Financial System to be overstated.

The Federal Financial System was designed to account for revenues and expenditures on a Bureauwide basis to produce annual consolidated financial statements that are required by the Chief Financial Officers Act of 1990. Although the system records revenues, it does not have an automated assessment and collection component to establish accounts receivable for the Restoration Fund. As a result, receivables are established in the Federal Financial System based on calculations made by regional finance personnel through their spreadsheet system.

The Works System was designed to record, accumulate, and report on Project water deliveries, associated water charges, and the advance payment balances for the Project's water service contractors. The Works System was intended to provide historical water delivery and financial data such as monthly water contractor statements (Water Delivery Charges reports³) and the monthly revenue-earned statements (Water Delivery Revenue reports⁴). However, the Works System had not been modified to account for additional legislative requirements, such as the restoration water charges imposed by the Central Valley Project Improvement Act, since the system was developed in the 1970s and 1980s. A June 1995 report prepared by an independent accountant on the Project's financial systems

³Water Delivery Charges reports were designed to reflect the current status of deliveries by type of water (for example, irrigation or municipal and industrial), the costs charged to the contractor for the water, the balance of the contractor's allotment of water, and the status of the cash advance account against which the charges were made.

⁴Water Delivery Revenue reports provide revenue information for contract water deliveries and water transfers based on water-delivery requirements of the Reclamation Reform Act of 1982 and historical water delivery and revenue data that can be used in the Central Valley Project's rate-setting and operation and maintenance deficit-determination processes.

and rate-setting practices substantiated these and other deficiencies in the Works System. The report was requested by the Central Valley Project Water Association, an organization of Project water contractors. The report stated that the Works System "has not kept pace with the changing accounting environment and has not been properly maintained." The report also stated that "neither the Bureau nor the contractors placed a very high degree of reliance upon payment and advance account information obtained from the system" because information was not timely and reliable.

The Mid-Pacific Region maintained a comprehensive spreadsheet system to assess and collect Restoration Fund revenues because neither the Federal Financial System nor the Works System adequately accounted for and reported water contractor payments. To assess charges for restoration activities, Regional personnel manually entered the contractor water deliveries recorded in the Works System into the Region's spreadsheet system, which automatically calculated the payments due. On a monthly basis, Regional personnel manually reconciled the payments due with the revenues from restoration payments from the water contractors recorded in the Federal Financial System. If payment was not received from a water contractor within the 30-day payment period, personnel sent a bill to the water contractor and identified the outstanding amount and manually established the accounts receivable in the Federal Financial System. We reviewed the \$784,000 non-Federal accounts receivable balance as of March 31, 1996, in the Federal Financial System and found that the amount was overstated by 25 percent. Of the 72 outstanding receivables that constituted the \$784,000, we found that 37 receivables, totaling about \$200,000, were not valid because they either were paid or were not required to be paid. Delays in recording and reconciling water contractor payments in the Federal Financial System, the Works System, and the Regional spreadsheet system caused receivables to be overstated because invalid receivables were kept in the account.

We also found that the process used by the Regional Office to record water contractor payments was not timely. According to a Regional official, water contractors send their payments to a bank lockbox in San Francisco, California, for deposit. Each day, the Regional Office receives a report from the bank identifying the checks received. The bank mails copies of the checks and supporting payment documents to the Regional Office. Water contractors can also take or send their payments to the Regional Office or to the nearest Regional field office in California. The field offices send the payments to the lockbox for deposit and the payment information to the Regional Office's accounts receivable personnel for recording into the Federal Financial System. Because there is no automated process to update the Restoration Fund account in the Federal Financial System, it is necessary to use the separate Regional system to calculate Restoration Fund revenues in order to record Fund revenues in the Federal Financial System.

We also found that the Northern California Area Office and the Willows Construction Office had each developed systems which produced monthly water contractor statements that showed water deliveries, assessments, payments, and account balances. At both offices, personnel manually entered contractor water delivery and payment information into spreadsheet systems to account for the assessment and collection of Restoration Fund revenues. Both offices also requested that water contractors send or bring payments to the offices rather than send the payments to the bank so that they would have more timely and

complete payment information. The area offices forwarded the payments either to the bank or to the Regional Office for recording in the accounting systems. Officials at these offices told us that they had developed the separate systems because of the unreliable data in the Works System and because of the 1-month delay that it took for the Regional Office to completely record water contractor payments and to notify area and field offices that payment had been made.

A Regional Office official acknowledged the lack of an integrated accounting system, stating that with the present system, Regional Office employees who should be performing analytical and review functions were used primarily as data entry clerks. We believe that an integrated accounting system which produces reliable monthly statements would improve the assessment and collection processes, provide better service to meet the water contractors' needs, and result in the more efficient use of Regional Office employees. According to Regional Office officials, the Region was implementing an integrated accounting system, which is referred to as the Reclamation Accounting Information Network (RAIN System). This system will (1) replace the Works System, including the function of accounting for additional legislative requirements that are not part of the Works System, such as the restoration water charges imposed by the Central Valley Project Improvement Act, and (2) will be linked with the Federal Financial System. If implemented, the RAIN System should eliminate the need for multiple data entries and additional subsystems and better service the water contractors' needs by providing timely monthly statements. A Regional Office official said that the Region planned to have the Reclamation Accounting Information Network fully implemented by October 1, 1998.

Cost Sharing

As of June 1997, the State of California had not contributed \$31.6 million of its \$33.1 million share of restoration activity costs. The Central Valley Project Improvement Act identifies 15 restoration activities that stipulate cost sharing by California. For example, Section 3406(b)(6) states that the Secretary of the Interior is directed and authorized to:

... install and operate a structural temperature control device at Shasta Dam and develop and implement modifications in CVP [Central Valley Project] operations as needed to assist in the Secretary's efforts to control water temperatures in the upper Sacramento River in order to protect anadromous fish in the upper Sacramento River. Costs associated with planning and construction of the structural temperature control device shall be reimbursed in accordance with the following formula: 37.5 percent shall be reimbursed as main project features, 37.5 percent shall be considered a nonreimbursable Federal expenditure, and 25 percent shall be paid by the State of California.

California's 25 percent share of the \$77 million expended on the Shasta Dam Temperature Control Device, which was completed in May 1997, is approximately \$19.2 million.

Expenditures on all restoration activities totaled about \$175.8 million, which consisted of payments from the Restoration Fund of approximately \$87.3 million and Federal appropriations of about \$88.5 million. Of the \$175.8 million, expenditures totaling

\$124 million were for 13 of the 15 sections of the Act, which required cost sharing from California (there were no reported expenditures on the other 2 restoration activities). Based on the cost-sharing percentages identified in the Act, California's share of the \$124 million is approximately \$33.1 million (see Appendix 2).

The Bureau and the U.S. Fish and Wildlife Service successfully negotiated a cost-sharing agreement with California on June 27, 1994, under which California is required to pay up to \$50 million toward restoration activities. However, the agreement is contingent on available State funding and legislative authority and included additional provisions as follows:

One party may fund all, none, or any percentage of the cost of an individual restoration action, as long as the total amount expended by each party equals that party's overall cost allocation under Section 3406 of the Act.

Individual task orders will subsequently be executed pursuant to this Agreement for each restoration action or element thereof and shall be made a part of this Agreement.

The parties shall make an annual accounting, on a fiscal year basis, for their costs incurred under this agreement. The accounting shall include the dollar value of any in-lieu services as well as direct expenditure of funds. Each party shall submit its accounting to the other party by February 1 of each year.

The parties shall jointly develop a work plan which includes a budget and schedule for carrying out the restoration actions. . . . The work plan will be used as the basis for negotiating task orders for the restoration actions, or elements thereof, and shall be updated at least annually.

As of June 1997, the Mid-Pacific Region and the Service and California had signed only one task order for \$1.5 million for the Georgianna Slough Control Acoustic Fish Repulsion Barrier Evaluation. The Regional Office also had not provided California with a formal accounting of expenditures for restoration activities requiring State cost sharing. Regional Office officials said that they had not performed an annual accounting of expenditures for restoration activities requiring California cost sharing because California had not identified sources of funds but that they were not concerned as long as California eventually met its cost-sharing obligations. However, by not executing task orders and obtaining California's share of the costs in conjunction with restoration activity construction, the Federal Government funds a disproportionate share of activity financing costs. Therefore, we believe that the Bureau should prepare and submit to California the annual cost summaries that identify the cumulative cost-sharing obligation and expenditures for restoration activities and negotiate task orders for ongoing and completed restoration activities. Subsequent to our review (since June 1997), the Mid-Pacific Region and the Service have been negotiating with California to finalize four task orders totaling about \$30 million to fund restoration activities under the Act. For fiscal year 1998, the Mid-Pacific Region and the Service also plan to negotiate additional task orders totaling about \$30.4 million to fund restoration activities under the Act.

Reporting

The Bureau had not submitted all of the annual program and financial reports required by the Central Valley Project Improvement Act and the special reports requested by the Committees on Appropriations, U.S. Senate and U.S. House of Representatives.

Annual Reports. Section 3407(f) of the Act required the Secretary of the Interior to submit an annual financial report⁵ that described "all receipts to and uses made of monies within the Restoration Fund" for the prior fiscal year, including projections of receipts and uses of the Restoration Fund for the next fiscal year. Section 3408(f) of the Act required the Secretary to submit a program report⁶ that described significant actions taken to achieve "the intent, purposes and provisions of this title [Title 34]," including "recommendations for authorizing legislation or other measures" needed to implement the Act. These reports were to be submitted not later than September 30 of each year.

We found that the Bureau had submitted only the financial report for September 30, 1995. The 1996 financial report had been drafted and the 1995 program report had been updated to include 1996 program information.⁷ Although both reports were forwarded by the Commissioner's Office to the Assistant Secretary for Water and Science and the Assistant Secretary for Fish and Wildlife and Parks for review, they had not been approved for issuance and submittal to the Congress as of December 1997. A Regional Office official said that "numerous and diverse reviews throughout the entire report writing process" delayed the timely preparation and submission of the reports. The official further stated that planned changes in the review process should decrease the preparation and review time for the annual reports in the future. However, we did not obtain any details on the planned changes.

Special Reports. In hearings held for fiscal year 1996 by the House and Senate Committees on Appropriations, the Committees directed that the Bureau provide, by November 15, 1995, a report on the extent to which the State of California had met its cost-sharing obligations under the Act and that the Secretary provide, by February 1996, a report "display[ing] priorities and activities for a 5-year period beginning with fiscal year 1997, associated with the restoration requirements and goals of the CVPIA [Central Valley Project Improvement Act]." We found that as of December 1997, the Bureau had not submitted these reports. The Bureau Special Projects Officer attributed the delay of the cost-sharing and 5-year priority reports to the same lengthy review process required for the

⁵The financial report is to be provided to the Senate Committee on Energy and Natural Resources and the Committee on Appropriations and the House of Representatives Committee on Interior and Insular Affairs, the Committee on Merchant Marine and Fisheries, and the Committee on Appropriations.

⁶The program report is to be provided to the Senate Committee on Energy and Natural Resources and the House of Representatives Committee on Interior and Insular Affairs and the Committee on Merchant Marine and Fisheries.

⁷The Bureau included the 1995 and 1996 program information with the special cost-sharing reports required by the House and Senate Committees on Appropriations.

annual reports. As of December 1997, the Secretary's report⁸ had been drafted and included public comments, but it was at the U.S. Fish and Wildlife Service for completion.

Recommendations

We recommend that the Commissioner, Bureau of Reclamation, direct the Regional Director, Mid-Pacific Region, to:

1. Integrate the Regional Office's and area offices' accounting systems with the Federal Financial System to provide timely and reliable water delivery and payment information to the Regional Office and water contractors.

2. Provide, to the State of California, a formal annual cost summary of restoration activities requiring cost sharing by the State, as required by the cost-sharing agreement. The cost summary should include cumulative expenditures for restoration activities that have occurred since enactment of the Central Valley Project Improvement Act and be used as the basis for negotiating additional task orders as appropriate.

We recommend that the Commissioner, Bureau of Reclamation:

3. Ensure that the required program report for fiscal year 1995 and the required program, financial, and special reports for fiscal year 1996 and future reports are submitted in a timely manner.

Bureau of Reclamation Response and Office of Inspector General Reply

The March 31, 1998, response (Appendix 3) from the Commissioner, Bureau of Reclamation, agreed with the three recommendations. Based on the response, we consider Recommendation 2 resolved and implemented and Recommendations 1 and 3 resolved but not implemented. Accordingly, Recommendations 1 and 3 will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Since the report's recommendations are considered resolved, no further response to the Office of Inspector General is required (see Appendix 4).

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

We appreciate the cooperation of Bureau personnel in the conduct of our audit.

⁸The Secretary's report includes the U.S. Fish and Wildlife Service's current funding priorities for Restoration Funds and the anticipated biological benefit of each recommended funding action, as requested in the House's Energy and Water Development Report No. 103-533.

OFFICES VISITED

OFFICE	LOCATION
Mid-Pacific Region	Sacramento, California
Northern California Area Office	Redding, California
South Central Area Office	Fresno, California
Willows Construction Office	Willows, California
Office of the Solicitor's Pacific Southwest Regional Office	Sacramento, California

**RESTORATION ACTIVITY EXPENDITURES AND
STATE OF CALIFORNIA COST-SHARING REQUIREMENTS
FROM OCTOBER 30, 1992, TO JUNE 30, 1997**

P.L. 102-575 Section	Restoration Activity	Expenditures by Funding Sources		Expenditure Total ¹	State Cost-Sharing Requirement by Activity	
		Restoration Fund	Federal Appropriation		Percent	Amount ²
3406 (b) (1)	Anadromous Fish Program and other Central Valley Project Impacts	\$7,013,089		\$7,013,089		
3406 (b) (2)	Dedicated Project Yield	2,680,670		2,680,670		
3406 (b) (3)	Water Acquisition	11,905,482	\$1,516,835	13,422,317		
3406 (b) (4) ³	Tracy Fish Facility Improv./ Evaluation	0	0	0	25	0
3406 (b) (5) ³	Contra Costa Canal Pumping		310,005	310,005 ⁴	25	\$77,501
3406 (b) (6) ³	Shasta Temperature Control Device	34,293,988	42,442,806	76,736,794 ⁴	25	19,184,199
3406 (b) (9)	Flow Fluctuation Study	170,632	48,313	218,945		
3406 (b) (10) ³	Fish Passage Program	679,184	1,616,050	2,295,234 ⁴	25	573,809
	Demonstration Pumping Plant Evaluation	1,104,066	2,879,599	3,983,665 ⁴	25	995,916
	Demonstration Pumping Plant		20,472,555	20,472,555 ⁴	25	5,118,139
3406 (b) (11)	Coleman National Fish Hatchery	4,650,575		4,650,575		
	Keswick Fish Trap Modification	16,359	1,262,346	1,278,705		
3406 (b) (12) ³	Clear Creek Restoration	273,876	7,008	280,884 ⁴	50	140,442
3406 (b) (13) ³	Restore Spawning Gravel	75,822		75,822 ⁴	25	18,956
3406 (b) (14) ³	Delta Cross Channel Structure	0	0	0	25	0
	Georgiana Slough Control Structure		950,000	950,000 ⁴	25	237,500
3406 (b) (15) ³	Old River Barrier	0	0	0	25	0
	South Delta Barrier		230,766	230,766 ⁴	25	57,692
3406 (b) (16) ³	CVP Assessment/Monitoring Program	1,497,980		1,497,980 ⁴	25	374,495

¹Expenditure totals for restoration activities were provided by the Mid-Pacific Region.

²California's cost-sharing amount is computed by multiplying the restoration activity expenditures to date by California's cost-sharing percentage provided for in the Act.

³Fifteen sections of Public Law 102-575 identified restoration activities that required cost sharing by the State of California.

⁴Expenditures of approximately \$124 million were made under 13 of the 15 sections of Public Law 102-575 that required cost sharing by the State of California.

P.L. 102-575 Section	Restoration Activity	Expenditures by Funding Sources		Expenditure Total ¹	State Cost-Sharing Requirement by Activity	
		Restoration Fund	Federal Appropriation		Percent	Amount ²
3406 (b) (17) ³	Anderson-Cottonwood Irrigation District	77,446		77,446 ⁴	50	38,723
3406 (b) (18) ³	Ecosystem and Water Modeling	0	0	0	50	0
3406 (b) (20) ³	Hamilton City Pumping Plant-Glenn Colusa Irrigation District		4,584,126	4,584,126 ⁴	25	1,146,032
3406 (b) (21) ³	Anadromous Fish Screen Program	689,586	7,304,710	7,994,296 ⁴	50	3,997,148
3406 (b) (22)	Agriculture Waterfowl Incentive Program	76,370		76,370		
3406 (c) (1)	San Joaquin River Basin Resource Management Initiative	1,571,830	895,536	2,467,366		
3406 (c) (2)	American River/Folsom South Conjunction Use Optimal Study		651,686	651,686		
3406 (d) (1), (2), & (5)	San Joaquin Basin Action Plan	3,081,479	311,302	3,392,781		
3406 (d) (1-4) ³	Refuge Water Supply	2,542,216	52,988	2,595,204 ⁴	25	648,801
3406 (d) (5)	Refuge Wheeling Costs	5,551,171		5,551,171		
3406 (d) (6)	Private Wetlands/Joint Venture	1,366,850		1,366,850		
3406 (e)	CVPIA Supporting Investigations	653,655		653,655		
3406 (f)	Project Fisheries Impact	1,416,341		1,416,341		
3406 (g) ³	Ecosystem/Water Operations Models	995,332	1,031,415	2,026,747 ⁴	25	506,687
3408 (h)	Land Retirement	3,107,068	1,404,756	4,511,824		
3408 (i)	Water Conservation	50,834	465,119	515,953		
3408 (j)	Water Augmentation	1,788,305		1,788,305		
	Totals	<u>\$87,330,206</u>	<u>\$88,437,921</u>	<u>\$175,768,127</u>		<u>\$33,116,040</u>
3406 (b) (14)	Georgiana Slough Control Structures Task Order Agreement					(1,513,426) ⁵
	Total State's Cost-Sharing Obligation					<u>\$31,602,614</u>

³California has not paid any of its cost-sharing obligation under the restoration activities requiring cost sharing under the Act; however, it did sign the first cost-sharing task order agreement to contribute \$1,513,426 of in-lieu services for the Georgiana Slough Control Acoustic Fish Repulsion Barrier Evaluation.



United States Department of the Interior

APPENDIX 3

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BUREAU OF RECLAMATION
WASHINGTON, D.C. 20240

IN REPLY
REFER TO:

D-5010
ADM-8.00

MAR 31 1998

MEMORANDUM

To: Office of Inspector General
Attention: Assistant Inspector General for Audits

From: Eluid L. Martinez
Commissioner

Subject: Draft Audit Report on the Central Valley Restoration Fund, Bureau of Reclamation (Assignment No. W-IN-BOR-009-96)

The Bureau of Reclamation (Reclamation) offers the following comments in response to the recommendations in the subject report:

We recommend that the Commissioner, Bureau of Reclamation, direct the Regional Director, Mid-Pacific Region to:

Recommendation 1

Integrate the Regional Office's and area offices' accounting systems with the Federal Financial System to provide timely and reliable delivery and payment information to the Regional Office and water contractors.

Response

Concur. As cited by the report, the Mid-Pacific Region is in the process of implementing an integrated water and revenue accounting system, the Reclamation Accounting Information Network (RAIN System). When fully implemented, the RAIN System will eliminate the need for multiple data entries and additional subsystems and better service the water contractors' needs by providing timely monthly statements.

The RAIN System will be pilot tested concurrently with the region's 705 Works System to ensure the reliability of the RAIN data. This involves on-line use by 20 region users, including area office staff and various water authorities. Implementation of the RAIN System will replace the region's 705 System and local record keeping.

The responsible official is the Chief, Ratesetting and Economics Services, Business Resources Center, Mid-Pacific Regional Office. The estimated target date for integrating the accounting systems with the Federal Financial System is October 1, 1998.

Recommendation 2

Provide, to the State of California, a formal annual cost summary of restoration activities requiring cost-sharing by the State, as required by the cost-sharing agreement. The cost summary should include cumulative expenditures for restoration activities that have occurred since enactment of the Central Valley Project Improvement Act and be used as the basis for negotiating additional task orders as appropriate.

Response

Complied. The State of California was provided with a formal annual cost summary of restoration activities in September 1997. Reclamation will continue to provide cost summary reports to the State on an annual basis and periodically throughout the year as conditions warrant.

We recommend that the Commissioner, Bureau of Reclamation:

Recommendation 3

Ensure that the required program report for fiscal year 1995 and the required program financial, and special reports for fiscal year 1996 and future reports are submitted in a timely manner.

Response

Concur. Reclamation acknowledges that the reports need to be submitted in a more timely manner. The annual reports require coordination between Reclamation and the Fish and Wildlife Service from the regional levels up through the Department. Since this is a relatively new requirement, the review process has experienced extensive delays; however, as stated in the report, Reclamation is working with the Fish and Wildlife Service to improve the review process.

The fiscal year 1995 program report was updated to include 1996 information and was re-submitted to the Department in October 1996. The special reports on priorities and activities for a 5-year period have been redrafted at the regional level to include the integration and coordination of the Bay-Delta process and to acknowledge the State of California contribution in support of the Central Valley Project Improvement Act.

The estimated target date for submission of the special reports is June 30, 1998. The responsible official is the Mid-Pacific Region Special Projects Officer.

If you have any questions or require additional information, please contact Luis Maez at (303) 445-2793.

cc: Assistant Secretary - Water and Science, Attention: Laura Brown

STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/ Recommendation Reference	Status	Action Required
1 and 3	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
2	Implemented.	No further action is required.

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